

AGRICULTURE - A STRATEGIC BRANCH OF SERBIAN ECONOMIC DEVELOPMENT

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Abstract—Agriculture is an important branch of Serbian economy. With adequate agrar policy, agriculture can give a significant contribution to the economic development of a country. Due to its relations and influence it has on other sectors, it is extremely important for development of Serbia. It employs a large number of people, participates significantly in foreign trade, provides food and security in the country, but it also contributes to rural development and ecological balance.

Keywords—agriculture, economic development, strategy, production, investments.

I. INTRODUCTION

AGRICULTURE is an important branch of Serbian economy, and its most important resources are land and plants, grown species and natural vegetation. Therefore, preservation, usage of land and exploitation of genetic potential of plants of great importance for economic and social prosperity of Serbia.

With adequate agrarian policy, agriculture can give a significant contribution to the economic development of the country. Due to its relation and influence it has on other sectors, it is essential for Serbian development.

After fifty years of planned economy, ten years of isolation and a couple of last years of insecurity and general discussions about the direction of the development, a time when Serbia has to get a Strategy for development of agriculture has come, in order to enable undisturbed development of the Republic and integration in the European Union. The necessary changes which needs to be made within the agricultural sector comprise the following three elements:

- putting an end to transition from socialist to completely market oriented economy;
- integration and joining the European Union;
- radical reconstruction and modernization of the whole agricultural sector (In the 1960s, a large number of authors deals with the subject of agriculture in a different way).

The connection between agriculture and other economy branches enables their mutual development, and application of modern technology has led to a close relation of agriculture with the industry manufacturing agricultural machinery, transport vehicles and chemical materials and equipment for it and agriculture provides

raw materials for production and enables it to develop faster.

II. BASIC PROBLEMS OF THE AGRICULTURE IN SERBIA

From nowadays perspective, the most difficult and most complicated task which is to be dealt with is ascertaining the place that agriculture has in the overall economic development of Serbia.

Agricultural production participates with a significant percentage in creating the value of Serbian social product, and one third of Serbian population lives on agricultural holdings, employs more than 10% of the workforce. Exports of agricultural and food processing commodities record surplus in exchange, and nearly 17% of the overall commodity exports from Serbia refers to food exports.

But besides all this, credit support given to agriculture is insufficient, unstimulative and inconvenient for the importance of agriculture in the economic structure of the country, in comparison to the practice of developed countries and countries in the region. Although a potentially competitive sector of our exports, with current credit terms with high interest rates, agriculture will not be able to advance and become competitive at foreign markets.

Low investments in Serbian agriculture are not the path which could lead agriculture to a successful competitive appearance at foreign markets. We should not explain in many words how important investments are for the domestic agriculture. Since Serbian agriculture has not been keeping pace with agricultural development of West European countries for several decades, neither in technical and technological aspects, nor in aspects of organisation, nor in total productivity and efficiency, it is obvious that the results of disinvestment which has lasted for several years will represent a huge difficulty for Serbian agriculture to come closer to the EU. In essence, basic reasons for low fixed investments, in a situation with a low agricultural accumulation, and thus with a low possibility of self-financing, are negative, and above all, unadjusted credit terms for agricultural activities.

For several decades, farmers have not seen in bank credits a viable source of financing for their products and new investments, and a modest and insufficient

credit support is offered by the Government as well.

III. POSITION OF AGRICULTURE IN SERBIAN ECONOMY

Participation of Serbian agriculture in the gross national product has been decreasing for the several past years, although it is still important and far greater than in developed European countries. (Table 1). In 2004, agriculture participated with 15 % in the GNP, and in 2006 it was decreased to 12,9 %. For the purpose of comparison , in highly developed economies (EU) other

sectors have a leading role in creating GNP , such as : financial sector and busines services (27,5 %), public administration and other services (22,5 %), trade, hotels, restaurants, transport, communications (21,3 %), industry(20,7 %), construction (5,9 %) agriculture, hunting, forestry and fishing with a participation of only 2 % in creating the GNP.

Table 1. Participation of agriculture in the gross national product of Serbia period 2004-2006 -million RSD-

| | 2004 | 2005/1 | 2006/1 |
|--|---------|-----------|-----------|
| Gross national product , standing prices | 956.837 | 1.009.194 | 1.078.755 |
| Percentual change in comparison to the previous year | 8.4 | 6.2 | 5.8 |
| Agriculture, standing prices 2002 | 143.546 | 136.500 | 138.702 |
| Percentual change in comparison to the previous year | 19.5 | -5.3 | 0.9 |
| Participation of agriculture in the GNP in % | 15,0 | 13,5 | 12,9 |

For the year 2005, previous statistics data, for 2006, statistics evaluation .

Resource: Economic trends in Serbia , 2006, announcement made by RIS from 28.12.2006.

According to RIS data (Table 2), there are 2.536.378 people living at farming holdings or one

third of the overall population of the country (AGriculture, census book nr. 2, 2004,).

Table 2. Agricultural population of Serbia acccoridgn to census in 2002

| | | | |
|---|-----------|------|------|
| Participation of agriculture in the GNP in % | 15,0 | 13,5 | 12,9 |
| For the year 2005, previous statistics data, for 2006, statistics evaluation . Resource: Economic trends in Serbia , 2006, announcement made by RIS from 28.12.2006. | | | |
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| Population | 2002 | | |
| Overall number of inhabitants /1 | 7.498.001 | | |
| Number of agricultural inhabitants /2 | 817.052 | | |
| % of agricultural in overall number of inhabitants | 11 % | | |
| AP employed /3 | 2.642.987 | | |
| AP employed in agriculture , hunting or forestry /3 | 580.339 | | |
| % AP employed in agriculture in the overall number of AP employed | 22% | | |

Legend: AC – Active population;

Agricultural population, according to International standard classification of proffesions , is people with the follotwing professions : workers in agriculture, fishing and forestry (market produces), farmers (producers for personal needs) or manual workers in agriculture , and all persons dependent on them;

/1 Census 2002, Population: Sex and age , March 2003. RIS Belgrade;

/2 Census 2002, Population: Agricultural population , September 2004, RIS Belgrade;

/3 Census 2002, Population: Activity and sex of active population employed ,April 2004; RIS, Belgrade

At the same time, participation of food and livestock exports reaches about 17% of the overall commodity exports ifrom Serbia (Table 3.)

Table 3. Participation of Food and livestock sector in the overall exports of Serbia for the period 2004-2006

| | 2004 | 2005 | - in % 2006 |
|---------------------------------------|------|------|----------------|
| Overall commodity exports from Serbia | 100 | 100 | 100 |
| Food and livestock exports | 18,2 | 17,3 | 16,6 |

Resource : Foreign trade turnover of Serbia , December 2005 and December 2006, RIS, Belgrade .

Judging by these facts, budgetary funds of the Republic of Serbia intended for agriculture should be far bigger than they have been up to now. However, as it is shown in the following table (Table 4), participation of agrarian budget in overall budgetary funds of Serbia is still minimal. During 2007, budgetary funds intended for agriculture are smaller in comparison to the previous year (2006), subvention funds are also reduced (although the percentage is bigger in the structure of overall agrarian budget), and at the same time the percentage of participation of agriculture in the overall budget of Serbia continues to fall.

Establishing market economy will have strong consequences in the role the country has in the agriculture, as well as in relations between a agricultural producer and the country . The country will withdraw from many functions it used to hold , it will withdraw from the function of managing combines and national companies to which it has allocated subvention inputs or credits or helped them even in more direct ways through supplies of commodities.

Plenty of these activities will be transferred to the private sector , and existing national institutions will have to undergo huge changes. At the same time, the country will have to overtake or strengthen many other functions necessary for functioning of the market in order to enable all participants to have access to information and resources required for successful business operations. This includes a system of market information, strengthening and reorganization of educational system, education and consulting services, as well as a new legal system which has to ensure conditions for free and fair exchange and competition but to prevent at the same time monopolistic behavior in the market and to correct mistakes in the market.

Establishing market economy will have effect on a private entrepreneur – agricultural producer or a tradesman so that he will have more freedom, and the rules he will have to obey will be clearly set, more objective and applicable to all. On the other hand, he will no longer be able to rely on the country and expect to be told what to produce or to expect from the country to buy everything he produces.

IV. AGRICULTURE AS A STRATEGIC BRANCH OF SERBIAN DEVELOPMENT

Serbia is an agricultural country ,and agriculture is the only and the biggest chance for a fast development. However, the position that agriculture has nowadays (and where it has been for years) is completely in opposition to where it should have been, judging by projected development guidelines. General financial exhaustion and lack of circulating and investment funds, disorganisation, incoherence and fragmentation of economic subjects of farming, low productivity level and competitiveness are basic guidelines of our agriculture. Agriculture is one of the main economic strategic branches on which Serbia will constitute its economic development in the future. This economic branch remained most vital in the years of crisis and it set records in exports.

Agriculture in Serbia is not consired as an ordinary branch of economy , due to the specific nature of this production and the tradition of agriculture , and due to high expectations of it. On the territory of the Republic it is recognisable as as one of the strategic guidelines for development , and major part of population see it as the biggest chance for development of Serbia.

Systemtic and structural reformation of agriculture in Serbia started after political changes in 2000. Direction and dynamics of agricultural development in our country have shown serious falling behind other European countries , which started the procedure of reforming their agriculture one decade before us. The most important elements of reformation in agricultural sector in Serbia since 2000 up to now have been as follows:

- Market liberalisation ,
- Privatization of food-processing industry ,
- Activation of agrarian financial market ,
- Formation of agrarian budget,
- Formation of new institutional forms at all levels .

Agriculture is the only and the biggest chance for Serbia to overcome crisis and a chance for new working places and surviving in a poor country. In order to become a strategic branch of Serbian development , and that is indispensable , we need a well defined and transparent policy for financing agriculture.

In quest of the best method for financing economy , whose development would encourage more stable and continuous development of agriculture , the best solution

would be setting up a Development Bank of Serbia.

A development Bank should be set up according to the German model , where credits were granted through commercial banks on conditions more favourable than the market ones .

By formation of a Development Bank , the Republic development fund would be joined with the bank.

The thing which our agriculture misses , and which could improve financial position of agriculture, is a strong agrarian bank.

A true agrarian bank would have to be capable of financing agriculture , of placing capital, both domestic and foreign , of providing subvention coming from national deposit, to be a priviled and agrarian bank similar to the ones in other western countries.

While finding a solution for financing agriculture, we should perceive solutions found in western developed countries. They apply separate credit schemes for supplies and storage of basic agricultural commodities, first of all, grain . Selective method of crediting is used for crediting farms (credits have lower prices in comparison to the market interest rate),and the interest is determined by the state.

In agricultural companies it is desirable to have a specialized financial manager who will handle the problem of investing , who has necessary knowledge and abilities to manage investments in the most rational way. The range of overall funds , managed by him at a certain extent, depends on current agrarian policy , especially on the policy for financing agriculture. A financial manager should monitor financial market trends and changes in financial surroundings and to act in accordance with the financial strategy of the company.

In order to transform agriculture into main potential for development and stability in Serbia, the country has to ensure better organisation and stability, first of all, of a political , legal and monetary system, in order to attract foreign companies with the necessary capital, technology, knowledge, market.

It is also necessary to apply a new approach to education which will be directed to development of creative thinking and creativity of individuals and to increase the role of those who promote innovation.

It is not realistic to expect that the situation for farmers will become better soon. Serbia is a country which still does not have defined legal limits for market business efficiency and doing profitable business. As long as Serbia continues to be a country with transitional problems, a country with undeveloped institutions and infrastructure – businessmen cannot expect realistic and stimulative resources of financing.

High risk as a result of political instability, macroeconomic disbalance and undeveloped institutions , reflects on the level of active interest rates, and in the forthcoming period, the country will be the one which will have crucial influence on development of a financial market, as well as the pace and dynamics for financing agriculture.

V. CONCLUSION

Serbia is a small country which needs to use additional accumulation from abroad for its development. For the past twenty years, economic development has been characterized by insufficient investments in production and insufficient participation of investments into gross national product in comparison to other countries.

Inflow of foreign funds into Serbia after 2000 has been marked by investing primarily in infrastructure and power supply system , whilst very little has been invested into production. Only in 2006 , some measures were taken in order to encourage Greenfield investments, and tenders for some concessions were invited. In order to accelerate agricultural development it is indispensable , besides credits provided by international financial and regional organization, governments and commercial credits , to stimulate the inflow of foreign direct investments , taking care of selective directing into production capacity which will be oriented towards exporting.

Business climate in Serbia has been improving , but not fast enough in order to stimulate faster development of agricultural sector. Basic limitations , when institutions and regulations are concerned, lie in regulations which have not been carried into effect and institutions not functioning properly. In order to improve business climate in this segment, it is necessary to ensure putting laws into effect , to remove institutional obstacles which prevent strong competition and faster passing through the market so that the negative influence of discrimination can be reduced because it was presented as a factor which has a negative influence on business climate.

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